

Message Text

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PAGE 01 SAN JO 03024 251859Z

63

ACTION ARA-20

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-15

AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20 RSR-01 (ADP) W

----- 056490

R 251810Z AUG 73

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 4912

INFO AMEMBASSY MANAGUA

AMEMBASSY GUATEMALA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

LIMITED OFFICIAL USE SAN JOSE 3024

GUATEMALA FOR ROCAP

E.O. 11652: N/A

TAGS: EGEN, NU, FGFN, XK, CS

SUBJECT: EXTENSION OF INDUSTRIAL INCENTIVES

REF: (A) STATE 158843; (B) SAN JOSE 2603;

(C) SAN JOSE 2770; (D) SAN JOSE 2788

1. AS MENTIONED IN REF. B PRIOR TO THE MANAGUW MEETINGS AND REFS. C AND D FOLLOWING THE MEETING, THE GOCR HAD BEEN UNDER CONSIDERABLE PRESSURE FROM INDUSTRIALISTS TO MAINTAIN THE INDUSTRIAL CONTRACTS. THE CHAMBER OF INDUSTRIES, IN PARTICULAR, HAD BEEN ACTIVELY SEEKING THEIR CONTINUATION AND SEEMS TO HAVE SUCCESSFULLY TRADED OFF ITS SUPPORT OF THE SAN JOSE PROTOCOL FOR THE GOCR'S SUPPORT OF EXTENDING THE INDUSTRY INCENTIVES SYSTEM. IT SHOULD BE RECALLED, TOO, THAT, AS DISCUSSED

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IN ROCAP'S AIRGRAM CAPTO A-27, THE NUMBER OF FIRMS

ACTUALLY RECEIVING BENEFITS AS A RESULT OF THE TWO-YEAR EXTENSION IS SMALL, 80 PERCENT OF THE FIRMS WITH CONTRACTS ARE UNAFFECTED BY THE RULING. THUS, WHILE SIECA ARGUED AGAINST THE EXTENSION, IS IS NOT SURPRISING THAT THE MINISTERS ELECTED A POLITICALLY EXPEDITIOUS AND OTHERWISE FAIRLY COSTLESS (AT LEAST FOR THE PRODTPO) ALTERNATIVE. GIVEN SUCH SHORT-RUN POLITICAL CONSIDERATIONS, TOO MUCH LONG-RANGE IMPORTANCE PROBABLY SHOULD NOT BE ATTACHED TO THE EXTENSION. AS DISCUSSED IN SECTION 7 OF THE ROCAP AIRGRAM, THE EXTENSION IS NOT A POSITIVE MOVEMENT IN THE DIRECTION OF INTEGRATIONBC BUT OUGHT TO BE SEEN AS AFFORDING "BREATHING SPACE", ALLOWING TIME FOR LONG-RANGE MATTERS TO BE DISCUSSED.

2. CONCERNING PARAGRAPH 2, REF. A, SOLANO PROBABLY WAS INFLUENCED BY PRESS REPORTS SHORTLY BEFORE THE NICARAGUA MEDWINGHGHAT SOMOSA HAD QUIETLY EXTENDED SOME CONTRACTS. AT THE MEETING, OF COURSE, SOMOSA CAME OUT AGAINST EXTENDING THE INDUSTRIAL INCENTIVES REGIME. WITHIN THE GOCR DEL, FINANCE MINISTER ALPIZAR AGREED WITH SOMOSA'S THESIS (AS PROBABLY DID MOST FINANCE MINISTERS ELSEWHERE).
VAKY

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